



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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MANPOWER AND WELFARE
DIVISION

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The Honorable James R. Cowan, M. D.
Assistant Secretary of Defense
(Health and Environment)



Dear Dr. Cowan:

Under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), the Department of Defense pays for health care provided by civilian sources to dependents of active duty and deceased military personnel and retired military personnel and their dependents. Program benefits include reimbursement for part of the cost of prescription drugs and insulin purchased on an outpatient basis. The cost to CHAMPUS for this outpatient drug program has increased from \$256,000 for fiscal year 1967 to about \$5 million for fiscal year 1973.

Reimbursements for outpatient drugs are made by CHAMPUS fiscal agents on the basis of claims submitted by beneficiaries or by pharmacies. According to CHAMPUS officials, about 93 percent of the drug claims are submitted by beneficiaries and contain information on the identity and eligibility of the beneficiaries and copies of receipts from pharmacies. The receipts give the prescription numbers, dates of purchases, and prices but usually do not contain the name of the drugs purchased. Consequently, unless they obtain additional information from pharmacies, fiscal agents cannot identify claims for over-the-counter (non-prescription) drugs, which, with the exception of insulin, are not an authorized benefit.

During a recent survey of the CHAMPUS program, we randomly selected a sample of prescriptions from beneficiary-submitted claims processed by the California fiscal agent for CHAMPUS during the period December 1972 through February 1973. We then obtained the name of the drugs purchased from the pharmacies who filled the prescriptions. We found instances where prescriptions were for over-the-counter drugs, such as vitamins and cough syrup, and the fiscal agent had reimbursed the beneficiary for such items.

We noted that a fiscal agent in another State requested beneficiaries, when submitting drug claims, to provide additional information including the name of the drugs in order that over-the-counter drugs could be

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identified. At two other fiscal agents the situation was similar to that we found at the California fiscal agent. Since CHAMPUS does not require fiscal agents to obtain the name of drugs purchased, this situation could exist at the other 43 CHAMPUS fiscal agents.

We believe that you should require that beneficiary-submitted claims include the name of the drugs purchased. This would enable the fiscal agents to identify and exclude from payment claims for over-the-counter drugs.

We appreciate the courtesy and cooperation our representatives received during the survey and would like to be advised of any action you plan or take in regard to this matter.

Sincerely yours,

Thomas P. McCormick
Thomas P. McCormick
Assistant Director